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7 August 1950

MEMORANDUM FOR: The Executive, CIA

THROUGH: Budget Officer
Chief, Special Support Staff

SUBJECT: Conference with Chief Disbursing Officer, U. S. Treasury

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1. A conference was held at the request, and in the office of, Mr. Paul D. Banning, Chief Disbursing Officer, on 4 August 1950, with various CIA officials and representatives of G.A.O. CIA representatives were [REDACTED] The purpose of the conference was apparently twofold:

a. To confirm with the G.A.O. officials the adequacy of a procedure by which Mr. Banning could have advance confirmation from independent G.A.O. officials of the fact that disbursement schedules submitted to the Treasury covering unvouchered funds transactions were in fact supported by disbursement vouchers personally signed by the DCI as required by law. Although the disbursement schedules are certified by Certifying Officers and are audited to the disbursement voucher signed by the DCI, Mr. Banning had expressed dissatisfaction over the lack of prior independent proof of the existence of a properly signed disbursement voucher.

b. Mr. Banning was uneasy over the fact that the CIA Agent Cashiers in theory had individual access to larger sums of cash than any other officials in Government. Despite CIA assurances of internal controls, checks and balances, and audit, Mr. Banning was seeking some method of precluding any Agent Cashier from acting individually by requiring two signature control over all bank accounts, and two custodial control of all cash funds.

2. During the discussions on these points, the realization came to Mr. Banning that the Agent Cashiers in question were agents of CIA in the handling of large sums of cash in addition to their Agent Cashier advances for which the Agent Cashiers were responsible to him. In spite of references to the legal fact that the Chief Disbursing Officer has no responsibility other than for monies advanced by him to Agent Cashiers, Mr. Banning assumed a "moral responsibility" for ensuring that dangerous monetary practices did not exist in CIA. Despite reassurances and explanations by the CIA representatives (within essential security limitations) of the necessity for expeditious and internally controlled financial procedures, Mr. Banning asserted that he would have to return to the

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Secretary of the Treasury and negatively respond to CIA's informal request for an increase in Agent Cashier advance accounts unless the DCI would inform him in writing that dual custodian control would be maintained over all cash funds, at least, which were in the United States, and which were in any way handled by or were under the control of Agent Cashiers responsible to him for advances.

3. It is apparent to the undersigned that Mr. Banning's preoccupation with the Agent Cashiers only, is conclusive evidence that he is extremely alarmed that in the event of any loss of theft of funds by or from an Agent Cashier, even though such funds were not Agent Cashier advance funds, he might possibly be tarred with the brush of moral responsibility.

4. With the exception of certain cash funds actually in transit under the supervision of one or more of the Agent Cashiers, and one cash reserve fund retained by one of the Agent Cashiers in "L" Building, it has always been our practice to control reserve cash or bullion in vaults or bank accounts requiring two custodian entry or withdrawal. The undersigned, *therefore* agreed that CIA might be able to provide the desired written assurance. Mr. Banning seized upon this tentative suggestion and it was reduced to writing for subsequent reconfirmation by the DCI if he agreed to do so. The alternative will apparently be appeal to the Secretary of the Treasury to over-rule Mr. Banning.

5. The undersigned is of the opinion that Mr. Banning, on many points, has extended himself beyond his field of responsibility. However, in view of the fact that the compromise proposed does represent sound practices which have always been followed at Headquarters, with the exceptions noted, it is recommended that the DCI provide Mr. Banning with the requested written statement of CIA safekeeping procedures.

6. There is attached hereto a letter for the signature of the DCI which will, I believe, adequately express the policy desired by Mr. Banning.

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Chief, Finance Division

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